

BUSINESS

for Indiana



LOTTERY RANKS AMONG TOP BUSINESSES IN THE STATE

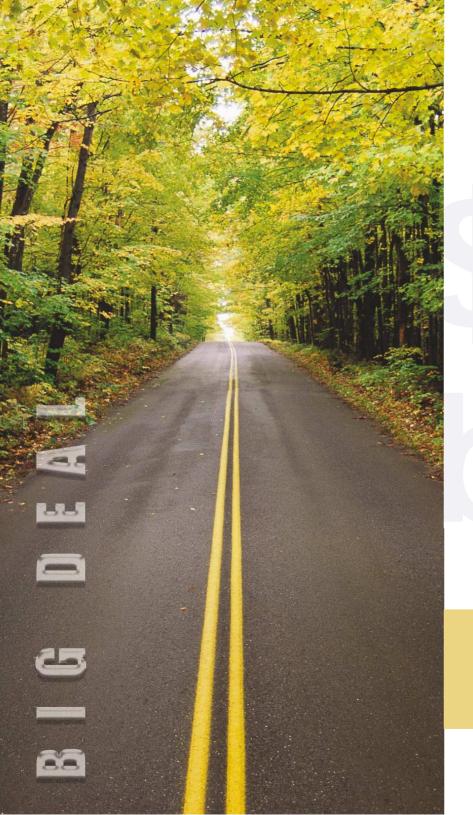
For many people, the Hoosier Lottery is about having fun. It's about surprises. It's about the anticipation of scraping the boxes on a scratch-off ticket to see if you've won a new Corvette or \$1 million.

Behind the scenes, however, the Lottery is big business for Indiana.

In fiscal year 2003, revenues climbed to \$664 million.

Sales of that magnitude would put the Lottery among the largest public companies in the state. It would be Indiana's sixth-largest private business. In fact, the Lottery has one of the largest retail sales and distribution networks in the state. It turns big profits for Indiana, which results in big economic gains for all Hoosiers.

The Hoosier Lottery is one of the state's largest businesses based on revenues. In fact, according to the Indianapolis Business Journal's annual Book of Lists, the Hoosier Lottery would rank as the 13th-largest public company in the state. It doesn't make the list though, because the Lottery is a quasi-government agency, created to make money for Indiana.



SMOOTH RIDE, CHEAP PLATES

Big companies in Indiana bring big dollars; they provide jobs, pay taxes and pump money back into the economy. The Hoosier Lottery is a different kind of business. Its sole purpose is to raise money to help Indiana. It pumps its profits back into every one of Indiana's 92 counties. Over its 14-year history, the Lottery has provided more than \$2.2 billion in economic benefits. That's never been as important as it was in 2003, when the state faced a budget deficit. The Lottery came to the rescue, giving back a total of \$175 million in 2003 alone.

That money helped fund important infrastructure improvements around the state. About \$60 million in Lottery profits paid pensions for teachers, firefighters and police officers. Nearly every Hoosier automobile owner benefited from reduced excise taxes. That meant lower license plate fees for Hoosiers. Now that's a big deal.

Historically, the Hoosier Lottery gives back approximately 29 cents for every \$1 in tickets it sells. The state uses those dollars to pay for excise taxes, pension funds and infrastructure projects so you don't have to.



SCRATCHING ITS WAY TO THE TOP

Most businesses only dream of sales increases of 25 percent over a two-year period. That's the kind of revenue growth the Lottery is experiencing with its scratch-off ticket sales. Smart strategies and some calculated risks paid off handsomely in fiscal year 2003, when the Lottery shattered scratch-off ticket sales records. Revenues from scratch-off sales alone totaled more than \$386 million.

That sales increase was — in part — spurred by increased enthusiasm for new games. The Lottery introduced its first \$20 ticket Dec. 1, 2002.

It's the highest-priced game the Lottery offers to players, and it's been a big hit. Because the game offers the biggest payoffs and the best chances for winning, it has players coming back for more.

From its scratch-off games alone, the Lottery gave away more than \$246 million in prizes in fiscal year 2003.

The Lottery sold about 354 million tickets in fiscal year 2003. That's an average of 969,836 tickets daily, enough ticket sales to fill the RCA Dome 17 times — every day of the year.



WINNERS CASH IN AT RECORD SPEEDS

Businesses measure their successes by the amount of money they take in. The Hoosier Lottery rates its success by the amount of money it gives away — to Indiana and to the winners of its games. The Lottery has a proven track record for giving away money, and in 2003 that occurred at a blistering pace. The Lottery averages 141,194 winners a day, awarding cash and prizes totaling more than \$1 million every day.

Sure, it's good for the winners. But it's good for the local economy, too.

Lottery winners bought new vehicles and paid off debt. They bought new houses and saved for their kids' college educations. They went on shopping sprees and padded their retirement accounts.

And, they bought more Lottery tickets.

The Hoosier Lottery has created 366 millionaires since its inception.

Just ask the winners; the Hoosier Lottery is big fun and fun is good.

In the time it takes Indy 500 driver Helio Castroneves to complete one lap at the Indianapolis Motor Speedway, an average of 69 people win the Lottery.



LOTTERY KEEPS ON GIVING

The business plan of the Hoosier Lottery is straightforward: Sell tickets, reward winners, save taxpayers money. It's a big benefit for Indiana.

To accomplish those three goals, the Lottery has a staff of
213 employees from Evansville to Angola and from Gary to Batesville.

But Lottery sales have a far-reaching benefit to hundreds more
employees throughout the state who work for the approximately
4,200 retailers selling Lottery tickets. Those tickets help increase
sales of other products, like milk and gasoline, souvenirs and
sandwiches. The Lottery keeps people employed and helps
increase revenues for business owners.

What's more, while the Lottery was created by state government, it operates without a penny of tax subsidies. The Hoosier Lottery is a self-sustaining, profitable, accountable and efficient business that's working harder every day to give back millions of dollars to the people of Indiana. That's a big benefit to every community in the state.

Approximately 4,200 retailers across the state sell Lottery tickets. Along with the Lottery's 213 employees, they're making the Hoosier Lottery one of the largest, most successful businesses in Indiana.

LOTTERY NUMBERS ADD UP TO BIG BENEFITS



George Weems Lottery Commission Chairman



John Ross Hoosier Lottery Director

The Hoosier Lottery this year can talk about some pretty impressive numbers. Big numbers, like \$2.2 billion — the total amount of profits it's returned to Hoosiers since it was created. And smaller numbers, like the fact that while you sit at a traffic light for a mere 35 seconds, an average of 58 people win a Lottery prize. Or that by the time you finish watching the evening news, the Lottery has made an average of \$9,630 that will go directly to the state, helping to reduce taxes for you and all other Hoosiers.

Those numbers — large and small — all add up to a big impact the Lottery has on Hoosiers across the state, whether or not they play Lottery games.

Fiscal Year 2003 was a good year for the

Hoosier Lottery and its 51.5 million winners. But it was an especially good year for Indiana communities that benefited from \$175.6 million in increased pension contributions for teachers, police officers and firefighters and reduced excise taxes. As the Hoosier Lottery begins its 15th year, it continues to grow and do exactly what it was formed to do - bring big benefits to Indiana.

George E. Weens Jan In Jon

HOOSIER LOTTERY REGIONS

Headquarters

Pan Am Plaza, Suite 1100 201 S. Capitol Ave. Indianapolis, IN 46225 (317) 264-4800

Region 1, Indianapolis

Deloris Garrett, Manager Ameriplex, Suite A 5252 Decatur Blvd. Indianapolis, IN 46241 (317) 821-3200

Region 2, Gary

Rodney Williams, Manager 1501 Martin Luther King Blvd. Gary, IN 46407 (219) 882-6076

Region 3, South Bend

Penni Cooley, Manager 1539 N. Ironwood Dr. South Bend, IN 46635 (574) 277-1388

Region 4, Fort Wayne

Karen Merchant, Manager 2413 Hobson Rd. Fort Wayne, IN 46805 (260) 482-9000

Region 5, Muncie

Lawrence Burden, Manager 3415 W. Fox Ridge Lane Muncie, IN 47304 (765) 288-3594

Region 6, New Albany

Dan Cranmer, Manager Summit Square, Suite 15 3211 Grant Line Rd. New Albany, IN 47150 (812) 948-9682

Region 7, Evansville

June Leslie, Manager 5625 E. Virginia Rd. Evansville, IN 47715 (812) 477-0109

Region 8, Terre Haute

Nancy Wallace, Manager 680 E. Springhill Dr. Terre Haute, IN 47802 (812) 238-1833

LOTTERY COMMISSION

George Weems

Chairman East Chicago

Roger Eiteljorg Indianapolis

Leon J. Fleck Jasper

Michael S. Gouloff Fort Wayne

Yvette R. Payne Evansville

LOTTERY EXECUTIVE STAFF

John M. Ross

Director Responsible for the overall operation of the organization.

Nancy Dorsa

Deputy Director/Controller Responsible for accounting division and assisting director in overall operation of the organization.

Gary Catey

Director of Sales Responsible for sales division.

Dave Kress

Director of Information Services Responsible for information and systems, programming and technical support.

Colleen O'Brien

Director of Administration/ Communications Responsible for Lottery administrative functions, procurement, facilities and fleet management, publications and communications, internally and on behalf of the Director.

Charles O'Hara

Director of Marketing Responsible for development and monitoring of the marketing process and advertising for Lottery products.

Joseph Pfister

Internal Auditor Responsible for reviewing and evaluating internal controls and preparing audit reports.

Andrew Reed

Director of Public Relations Responsible for Lottery promotions with the public, players and media.

Janna Shisler

General Counsel Responsible for contract drafting, litigation and rule drafting.

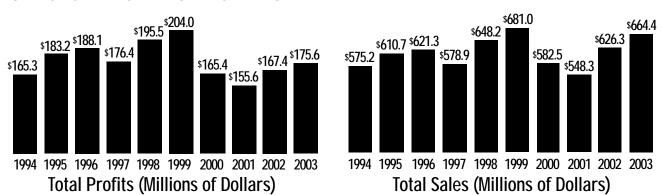
Pete Byrne

Director of Security Responsible for promoting and protecting the integrity and public confidence in the Lottery.

The State Lottery Commission of Indiana Statements of Net Assets June 30, 2003 and 2002

Prepaid expenses 876,509 548 Accrued interest receivable 101,716 335 Total Current Assets 88,219,672 86,605 NONCURRENT ASSETS 10,793,503 10,566 Long-term Investments, less current portion above 58,491,055 51,283 Capital Assets 1,807,868 1,816 Furniture, fixtures and equipment 7,036,095 4,029	
CURRENT ASSETS \$ 42,977,623 \$ 43,902 Current portion of investments 13,215,044 23,875 Accounts receivable, less allowance of \$2,391,425 and \$2,067,373, respectively 30,407,287 17,782 Instant ticket inventory 641,493 160 Prepaid expenses 876,509 548 Accrued interest receivable 101,716 335 Total Current Assets 88,219,672 86,605 NONCURRENT ASSETS 10,793,503 10,566 Long-term Investments, less current portion above 58,491,055 51,283 Capital Assets 1,807,868 1,816 Vehicles 1,807,868 1,816 Furniture, fixtures and equipment 7,036,095 4,029	
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Prepaid expenses 876,509 548 Accrued interest receivable 101,716 335 Total Current Assets 88,219,672 86,605 NONCURRENT ASSETS 10,793,503 10,566 Long-term Investments, less current portion above 58,491,055 51,283 Capital Assets 1,807,868 1,816 Furniture, fixtures and equipment 7,036,095 4,029	,776
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Capital Assets Vehicles 1,807,868 1,816 Furniture, fixtures and equipment 7,036,095 4,029	689
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	,303
Data processing equipment 7,621,878 6,326	207
Accumulated depreciation (11,770,015) (10,749,	332)
Total Noncurrent Assets 73,980,385 63,272	,118
TOTAL ASSETS 162,200,057 149,877	,120
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	
Trade 6,101,627 8,177	
State 34,783,065 24,624	
State Pensions 15,000,000 15,000	
Current portions of accrued prize liability 44,094,762 43,816	
	593
Other accrued expenses 1,597,945 1,885	
Total Current Liabilities 102,752,376 93,872	,174
LONG-TERM LIABILITIES	
Long-term portions of accrued prize liability	
Less current portion above 58,120,055 51,393	
Total Noncurrent Liabilities 58,120,055 51,393	902
TOTAL LIABILITIES 160,872,431 145,266	,076
NET ASSETS	
Unrestricted (3,368,200) 3,189	
Invested in capital assets, net of related debt 4,695,826 1,421	,742
TOTAL NET ASSETS \$ 1,327,626 \$ 4,611	044

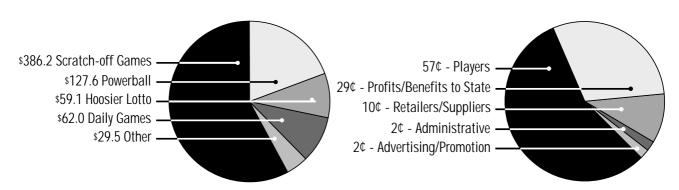
STATISTICAL INFORMATION - 10 YEAR SPAN



The Financial Statements are excerpts from the Hoosier Lottery's audited financial statements for the years ended June 30, 2003 and June 30, 2002. Complete financial statements are available upon request to Controller, Hoosier Lottery, P.O. Box 6124, Indianapolis, IN 46206.

The State Lottery Commission of Indiana Statements of Revenues, Expenses and Changes in Net Assets For the Years Ended June 30, 2003 and 2002

	2003	2002
OPERATING REVENUES		
Charges for Services		
On-line ticket sales	\$ 258,914,369	\$ 273,004,613
Instant ticket sales, net	405,503,082	353,305,207
Total Operating Revenues	664,417,451	626,309,820
OPERATING EXPENSES		
Game expenses		
On-line games prizes	124,551,557	136,980,158
Instant game prizes	258,568,651	219,730,805
Television game show prizes	13,119,169	14,496,223
Ticket printing costs	6,304,319	5,207,952
Advertising and promotion	10,292,443	10,036,597
Retailer commissions	45,529,235	43,313,172
On-line professional services	12,199,675	12,815,325
ITVM lease and courier services	2,305,350	1,887,075
Total game expenses	472,870,399	444,467,307
Other operating expenses		
Salaries, wages and benefits	12,449,667	12,584,882
General and administrative	4,717,531	4,223,868
Total other operating expenses	17,167,199	16,808,750
Total Operating Expenses	490,037,598	461,276,057
OPERATING INCOME	174,379,854	165,033,763
NONOPERATING REVENUES/(EXPENSES)		
Interest income	1,099,157	2,250,176
Net increase/(decrease) in fair value of investments	2,277,873	348,512
Interest accretion	(4,856,093)	(2,995,921)
Other income	2,700,933	2,775,268
Total Nonoperating Revenues/(Expenses)	1,221,870	2,378,035
NET INCOME PRIOR TO DISTRIBUTIONS	175,601,724	167,411,798
Distributions to the State Pensions	(45,000,000)	(45,000,000)
Distributions to the State	(84,102,076)	(69,727,301)
Distributions to be paid to the State Pensions	(15,000,000)	(15,000,000)
Distributions to be paid to the State	(34,783,065)	(39,624,990)
Total Distributions	(178,885,142)	(169,352,291)
Changes in Net Assets	(3,283,418)	(1,940,493)
Total Net Assets - beginning	4,611,044	6,551,537
Total Net Assets - ending	\$ 1,327,626	\$ 4,611,044



2003 Total Revenue (Millions of Dollars)

Dollar Breakdown: Where Does The Money Go?

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The State Lottery Commission of Indiana Statements of Cash Flows For The Years Ended June 30, 2003 and 2002

CASH FLOWS FROM OPERATING ACTIVITIES Cash received from ticket winners (389,235,168) (355,702,793) Payments to ticket winners (12,737,487) (11,772,843) (11,772,843) Payments to suppliers (12,737,487) (82,753,862) (73,434,500) NET CASH PROVIDED BY OPERATING ACTIVITIES S875,066 (11,403,485) Interest income S875,066 (11,403,485) (1,322,559) (2,349,037) NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES S875,066 (11,403,485) (1,432,559) (2,349,037) NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES S875,066 (166,112,228) (1,522,403,037) NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES S875,066 (166,112,228) (1,62,502,703) (1,6		2003	2002
Payments to ticket winners		\$ 652,562,728	\$ 622,286,525
Payments to suppliers (\$2,753,862) (73,434,500) NET CASH PROVIDED BY OPERATING ACTIVITIES 167,836,211 181,376,366 CASH FLOWS FROM INVESTING ACTIVITIES 1,332,559 2,349,037 NET CASH PROVIDED BY (USED FOR) 1,332,559 2,349,037 NET CASH PROVIDED BY (USED FOR) 1,332,559 2,349,037 NET CASH PROVIDED BY (USED FOR) 1,220,7625 (9,054,448) CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES 1,237,27,066 (166,112,228) Distributions to the State Pensions (45,000,000) (226,816) 706,334 Other Income 2,700,933 2,897,097 NET CASH (USED FOR) NONCAPITAL AND RELATED FINANCING ACTIVITIES (166,522,949) (162,508,737) RELATED FINANCING ACTIVITIES (166,522,949) (162,508,737) CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (4,752,944) (418,983) Proceeds from the sale of fixed assets (4,752,944) (418,983) Proceeds from the sale of fixed assets (4,752,944) (418,983) Proceeds from the sale of fixed assets (4,760,097) (391,382) NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH (4716,097) (391,382) NET INCREASE (DECREASE) IN CASH (43,902,833 34,481,004 (43,902,833 34,481,004 (43,902,833 34,481,004 (43,902,833 34,481,004 (43,902,833 34,481,004 (43,902,833 34,902,833 (43,902,833	Payments to ticket winners	(389,235,168)	(355,702,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES S75,066 (11,403,485) (11,403,48			
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Net proceeds (purchases) of investments 1,332,559 2,349,037 Interest income 1,332,559 2,349,037 NET CASH PROVIDED BY (USED FOR) 1,332,559 2,349,037 NET CASH PROVIDED BY (USED FOR) 1,322,556 (9,054,448) CASH FLOWS FROM NONCAPITAL AND 1,2288 1,227,066 (166,112,228) Distributions to the State (123,727,066) (166,112,228) Distributions to the State Pensions (45,000,000) (4	NET CASH PROVIDED BY OPERATING ACTIVITIES	167,836,211	181,376,396
Interest income			
NET CASH PROVIDED BY (USED FOR) 1NVESTING ACTIVITIES 2,207,625 (9,054,48)			
INVESTING ACTIVITIES	interest income	1,332,339	2,349,037
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NET CASH (USED FOR) NONCAPITAL AND RELATED FINANCING ACTIVITIES (166,252,949) (162,508,737) CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (4,752,944) (418,983) Purchase of fixed assets (4,752,944) (218,983) Proceeds from the sale of fixed assets 36,847 27,601 NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year 42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: 5 165,033,763 Operating income \$174,379,854 \$165,033,763 680,530 CACTIVITIES: 5 Operating income \$1,479,217 860,530 784 680,530 680,530 680,901 680,530 680,530 680,901 680,901 680,530 680,901 680,901 680,530 680,530 680,530 680,630 680,530 680,530 680,530 680,530 680,			2,897,097
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RELATED FINANCING ACTIVITIES (166,252,949) (162,508,737) CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (4,752,944) (418,983) Purchase of fixed assets (4,752,944) (418,983) Proceeds from the sale of fixed assets 36,847 27,601 NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year 42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ** ** Adjustments to reconcile operating income to net cash from operating activities: ** ** Operating income \$174,379,854 \$165,033,763 Change in provision for doubtful accounts (35,685) 784 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (12,948,953) (3,767,218) Increase) decrease in assets: <td>NET CASH (USED FOR) NONCAPITAL AND</td> <td></td> <td></td>	NET CASH (USED FOR) NONCAPITAL AND		
FINANCING ACTIVITIES		(166,252,949)	(162,508,737)
Purchase of fixed assets (4,752,944) (418,983) Proceeds from the sale of fixed assets 36,847 27,601 NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS Beginning of year 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year \$42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income \$174,379,854 \$165,033,763 Adjustments to reconcile operating income \$1,479,217 860,530 Adjustments to reconcile operating activities: \$35,685 784 Depreciation \$1,479,217 860,530 Change in provision for doubtful accounts \$35,685 784 Change in provision for doubtful accounts \$35,685 784 Change in provision for ticket returns \$359,736 \$268,901 Gain on sale of fixed assets \$(37,206) \$27,601 (Increase) decrease in assets: \$(37,206) \$27,601 Prepaid expenses and other assets			
Proceeds from the sale of fixed assets 36,847 27,601 NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year \$42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: ***		(4,752,944)	(418,983)
RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year 42,977,623 43,902,835 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH STORM INCOME TO N	Proceeds from the sale of fixed assets	,	
RELATED FINANCING ACTIVITIES (4,716,097) (391,382) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year 42,977,623 43,902,835 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING INCOME TO NET CASH STORM INCOME TO N	NET CASH (USED FOR) CAPITAL AND		
AND CASH EQUIVALENTS (925,210) 9,421,829 CASH AND CASH EQUIVALENTS 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year \$42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income to net cash from operating income to net cash from operating activities: 174,379,854 \$165,033,763 Adjustments to reconcile operating income to net cash from operating activities: 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses <td></td> <td>(4,716,097)</td> <td>(391,382)</td>		(4,716,097)	(391,382)
CASH AND CASH EQUIVALENTS Beginning of year 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year \$42,977,623 \$43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income \$174,379,854 \$165,033,763 Adjustments to reconcile operating income to net cash from operating activities: 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (37,206) (27,601) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accourded prize liability </td <td></td> <td>(007.010)</td> <td>0.404.000</td>		(007.010)	0.404.000
Beginning of year 43,902,833 34,481,004 CASH AND CASH EQUIVALENTS - End of year \$ 42,977,623 \$ 43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: \$ 174,379,854 \$ 165,033,763 Operating income to net cash from operating income to net cash from operating activities: \$ 1,479,217 860,530 Depreciation Depreciation of doubtful accounts Change in provision for doubtful accounts (35,685) 784 784 Change in provision for ticket returns acin assets: (35,685) 784 Change in provision for ticket returns acin assets: (37,206) (27,601) (Increase) decrease in assets: (37,206) (27,601) Accounts receivable accounts receivable accounts receivable accounts (480,717) 1,375,106 (12,948,953) (3,767,218) Increase (decrease) in liabilities: (328,315) (453,210) Accounts payable - trade accounts payable - trade accounts payable - trade accounts payable - trade accounts account a	AND CASH EQUIVALENTS	(925,210)	9,421,829
CASH AND CASH EQUIVALENTS - End of year \$ 42,977,623 \$ 43,902,833 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income \$ 174,379,854 \$ 165,033,763 Adjustments to reconcile operating income to net cash from operating activities: 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391		40.000.000	0.1.101.00.1
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income \$ 174,379,854 \$ 165,033,763 Adjustments to reconcile operating income to net cash from operating activities: \$ 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391	Beginning of year	43,902,833	34,481,004
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Operating income \$ 174,379,854 \$ 165,033,763 Adjustments to reconcile operating income to net cash from operating activities: \$ 1,479,217 860,530 Depreciation 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391	CASH AND CASH EQUIVALENTS - End of year	\$ 42,977,623	\$ 43,902,833
Operating income \$ 174,379,854 \$ 165,033,763 Adjustments to reconcile operating income to net cash from operating activities:	CASH PROVIDED BY (USED FOR) OPERATING		
Adjustments to reconcile operating income to net cash from operating activities: Depreciation 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391		\$ 174,379,854	\$ 165,033,763
Depreciation 1,479,217 860,530 Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY	Adjustments to reconcile operating income	, , , , , , , , , , , , , , , , , , , ,	, , ,
Change in provision for doubtful accounts (35,685) 784 Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY		1 470 917	960 520
Change in provision for ticket returns 359,736 (268,901) Gain on sale of fixed assets (37,206) (27,601) (Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY			,
(Increase) decrease in assets: (12,948,953) (3,767,218) Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY	Change in provision for ticket returns		
Accounts receivable (12,948,953) (3,767,218) Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY		(37,206)	(27,601)
Instant ticket inventory (480,717) 1,375,106 Prepaid expenses and other assets (328,315) (453,210) Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY	· · · · · · · · · · · · · · · · · · ·	(12,948,953)	(3,767,218)
Increase (decrease) in liabilities: (2,075,493) 2,267,063 Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY		,	
Accounts payable - trade (2,075,493) 2,267,063 Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY		(328,315)	(453,210)
Deferred on-line game revenue 807,384 39,641 Other accrued expenses (287,820) 812,048 Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY		(2,075,493)	2,267.063
Accrued prize liability 7,004,210 15,504,391 NET CASH FLOWS PROVIDED BY	Deferred on-line game revenue	807,384	39,641
NET CASH FLOWS PROVIDED BY		, ,	
	Accrued prize hability	/,004,210	15,504,391
OPERATING ACTIVITIES \$ 167,836,211 \$ 181,376,396		d	.
	OPERATING ACTIVITIES	\$ 167,836,211	\$ 181,376,396

The change in fair value of investments and interest accretion that was not cash was \$2,277,873 and \$(4,856,093), respectively.

The Financial Statements are excerpts from the Hoosier Lottery's audited financial statements for the years ended June 30, 2003 and June 30, 2002. Complete financial statements are available upon request to Controller, Hoosier Lottery, P.O. Box 6124, Indianapolis, IN 46206.